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Author:
U.S. National Housing Agency
Title:
Home loans under the G.I. Bill of Rights
Place:
[Washington, D.C.]
Date:
[1947]

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U. S. National housing agency.
Home loans under the G. I. bill of rights; how your government will help you finance the building or buying of a home. ⟨Rev. March 1947⟩ [Washington, U. S. Govt. print. off., 1947]
12 p.

1. Housing - Finance. 2. Servicemen's readjustment act of 1944. I. Title.

RESTRICTIONS ON USE:

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 12X IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 3/17/95 INITIALS: DG

TRACKING # : MSH 05446

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U.S. National housing agency.

Home loans under the G.I. bill of rights.

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HOME LOANS

UNDER THE G. I. BILL OF RIGHTS

HOW YOUR GOVERNMENT WILL HELP YOU FINANCE THE BUILDING OR BUYING OF A HOME

NATIONAL HOUSING AGENCY

(Revised March 1947)

Business
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A Summary of the Home Loan Provisions of the GI Bill

The Servicemen's Readjustment Act of 1944, among other things, helps veterans of World War II to obtain loans to buy, build, repair, or improve their homes.

WHO IS ELIGIBLE Any veteran may be eligible for a home loan under this act if he was in the active service on or after September 16, 1940, and before the end of the war, providing he has served at least 90 days or was discharged for disability incurred in line of duty and has been discharged or released therefrom under conditions other than dishonorable. Women in the military services such as WACS, WAVES, Marines, and Spars, are eligible for the same benefits as men.

WHO MAKES LOANS The act is administered by the Veterans' Administration, and the loans are obtainable from banks, savings and loan associations, and similar home-financing institutions, insurance companies, and individual lenders.

LOAN GUARANTEES The Veterans' Administration, under certain conditions, offers to guarantee up to 50 percent of your home loan, or up to $4,000—whichever is less. In an alternate plan it guarantees a second loan up to 20 percent, but not more than $4,000, of the purchase price of a home where the first loan is insured by the Federal Housing Administration. The Veterans' Administration *guarantee* is made to financial institutions to encourage them to make loans to veterans on favorable terms. The Veterans' Administration and the Federal Housing Administration *do not make loans.*

WHEN YOU MAY APPLY FOR A LOAN You may apply for any kind of veteran's loan within 10 years after the end of the war.

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CONTENTS

	Page
What the GI Bill Does	4
Plan Number One	5
Amount You Can Borrow	5
Plan Number Two	6
FHA Checks House, Neighborhood, and Borrower	6
How to Repay Your Loan	8
Safeguards You Are Offered	9
Building a New Home	9
Other Expenses You Must Meet	10
Handy Checklist for Buying a Home	11
A Word to the Wise	12

NATIONAL HOUSING AGENCY

RAYMOND M. FOLEY, *Administrator*

For sale by the Superintendent of Documents, U. S. Government Printing Office
Washington 25, D. C., Price 5 cents

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WHAT THE GI BILL DOES

Like everyone else, a veteran has to pay for his home, but the GI bill enables him to buy or build it on more convenient terms because he is a veteran, if he:

1. Has a steady job or income sufficient to enable him to repay a long-term loan on convenient terms.

2. Can meet certain other reasonable requirements.

This is how the plan works:

A veteran goes to a savings and loan association, bank, mortgage company, or any other lender, just like anyone else, and asks for a loan to buy or build a home. If it were not for the GI bill, he would get the loan *only if he could make a cash down payment ranging from a few hundred to a couple of thousand dollars.* But now the Veterans' Administration will guarantee a part of this loan, so the veteran will have to pay little cash—perhaps none—out of his own pocket for a down payment.

That is the gist of the GI bill so far as home loans go.

It gives a returning veteran a start toward home ownership without a large bank account.

Under the GI bill, there are two general plans for financing your home. It is a good idea to get complete information on both plans and decide which one will best meet your needs. Look them over carefully, then talk them over with various financing institutions that lend money for buying or building homes.

This pamphlet is a guide for veterans seeking financial aid in building or buying a home. It outlines the home loan provisions of the GI Bill of Rights, the financial aids available through the Federal Housing Administration and the Veterans' Administration, safeguards, and hints for home buyers. When reading it remember that the best counsel your Government can give you is to seek expert advice before you buy

PLAN NUMBER ONE[1]

You find a house you want to buy. A real estate dealer, builder, a bank, or a savings and loan association—or a friend—may tell you where there is one for sale. You like the neighborhood, feel the house meets your needs. For purposes of explanation, we will say the price is $7,500.

You take your certificate of discharge to a financial institution making home loans. It develops that you have a job which indicates you can afford a $7,500 home, that you can make regular monthly payments of about $40 a month, with enough left over to take care of taxes, insurance, and ordinary costs of upkeep—perhaps $55 in all.

You discuss the terms of the loan and find that the interest rate is 4 percent, which is the highest permitted on this kind of GI home loan. You also find that your loan can run for as long as 25 years.

Amount You Can Borrow

You may be able to borrow *all* the money you need to make the purchase—in fact you may be able to borrow as much as 100 percent of the approved purchase price. The amount of the loan will depend in part upon the lender's confidence in your ability to pay back the loan and the appraised value of the property.

Before the loan is made, the house must be appraised by an appraiser chosen by the Veterans' Administration, as to whether the purchase price is in line with the reasonable value of the property. This is for *your* protection.

That is all there is to it, except that the Veterans' Administration will make a payment of 4 percent on the part of the loan it guarantees. If the guarantee is $4,000—the Veterans' Administration will pay $160 to the lender for credit on the loan without cost to the veteran.

The table on right shows how you would repay a 25-year loan of this type in monthly installments, if no cash down payment is made from your own pocket. The monthly payments are applied to both principal and interest. They do not include payments on hazard insurance and real-estate taxes which can also be made on a monthly basis.

Amount of loan	Monthly payments
$3,000	$15.84
4,000	21.12
5,000	26.40
6,000	31.68
7,000	36.96
8,000	42.24
9,000	47.52
10,000	52.80

[1] This is the plan provided for under either section 501 or 508 of the GI bill. Under section 501 the Veterans' Administration guarantees up to 50 percent of your home loan but not to exceed $4,000. Under section 508 the Veterans' Administration insures a financial institution against loss up to 15 percent of the aggregate of GI loans made or purchased by it.

PLAN NUMBER 2[2]

This plan splits into two loans, although they may be repaid as one. One loan is insured by the Federal Housing Administration. The other, a second lien, is guaranteed by the Veterans' Administration—not to exceed 20 percent of the purchase price, provided this second lien does not exceed $4,000.

Like the Veterans' Administration, the FHA does not lend any money. The FHA insures loans made by approved home-financing institutions, *if the loans are made to people with steady jobs or income and are on soundly built homes in good neighborhoods.* In other words, the FHA sets certain standards on loans it insures.

The method of obtaining a loan to buy or build a home under this plan is similar to the other, except that you must go to a home-financing institution which makes FHA-insured loans and ask to buy or build a home on the FHA plan. The institution makes the same check with the Veterans' Administration as to your eligibility as a veteran and decides whether you can afford to pay for the home you have chosen.

FHA Checks House, Neighborhood, and Borrower

FHA checks these facts and then checks the house, the neighborhood, and the ability of the borrower to repay the loan. The amount of the FHA-insured mortgage loan depends upon whether the mortgage is being insured under the provisions of the permanent Title II, National Housing Act, or under the emergency Title VI (revived by Congress to help veterans finance their homes).

Under both Titles II and VI, the FHA will not make a commitment to insure the mortgage unless the house, the lot, and the neighborhood measure up to FHA standards and unless the borrower is considered able to meet regular monthly installments through the life of the loan. These installments (paid to the lending institution) cover principal, interest, and all other fixed charges such as taxes, hazard and mortgage insurance, and assessments.

Under Title II, FHA insures mortgages up to 80 percent of the FHA long-term valuation, on houses for one to four families, complete with lot, up to a mortgage maximum of $16,000, if the project is economically sound. The mortgage may run for 20 years, with interest not exceeding 4½ percent a year on declining balances and with a mortgage insurance premium of one-half of 1 percent. However, if the mortgage covers a single-family, owner-occupied house approved before beginning of construction, it may be for as much as 90 percent of FHA valuation, up to a maximum of $5,400, and it may run for 25 years; or it may be for 90 percent of the first $6,000 and 80 percent of the next $4,000 and run for 20 years.

[2] This is the plan provided for under section 505 of the GI bill.

Under Title VI, FHA insures mortgages up to 90 percent of the FHA's estimate of the "necessary current cost" of the house and lot. The house is approved for mortgage insurance before construction starts, and preference in buying or occupying is given to veterans. Mortgage ceilings for single-family houses vary in different areas of the country, and run up to as much as $8,100. The mortgage may run for 25 years, with the maximum allowable interest 4 percent, plus one-half of 1 percent mortgage insurance.

If you have sufficient funds on hand for the required down payment (including the value of the land if you already own the building site), you may get all the financing you need with an ordinary first-mortgage loan with or without FHA insurance and save your GI loan privileges for possible later use.

If you do not have enough cash on hand, you may apply for an FHA-insured first mortgage and, at the same time, for a VA-guaranteed second loan to meet part or all of the down payment—up to 20 percent of the approved valuation or $4,000, whichever is less. Only a veteran eligible under the GI Bill of Rights can get this secondary financing in connection with an FHA-insured mortgage. The VA-guaranteed loan may run for 25 years, with interest not exceeding 4 percent and with no charge for the guarantee. In addition, the Government makes a payment equal to 4 percent of the guaranteed loan.

Both FHA-insured loans and VA-guaranteed loans are made by lending institutions. Both loans are paid off in monthly installments. Applications for the loans are made to the institutions and the monthly payments are made to them.

How to Repay Your Loan

The following tables show how you would repay (1) an FHA-insured loan under Title VI of 90 percent, with a VA-guaranteed second loan of 10 percent; and (2) an FHA-insured loan under Title II of 80 percent, with a VA-guaranteed second loan of 20 percent. Interest on the Title II loan here, which can be lower if the lender agrees, is calculated at the 4½ percent maximum permitted rate; on the Title VI loan and the VA-guaranteed second loan it is 4 percent. An insurance premium of one-half percent is included for the FHA-insured portion.

Total amount of both loans	FHA-insured loans	VA-guaranteed loan	Total monthly payment covering both loans
90 percent FHA Title VI with 10 percent VA—both for 25 years at 4 percent interest new construction, with a maximum price of $10,000 for house and lot			
$3,000	$2,700	$300	$16.48
4,000	3,600	400	21.98
5,000	4,500	500	27.48
6,000	5,400	600	32.98
7,000	6,300	700	38.48
8,000	7,200	800	43.96
9,000	8,100	900	49.46
10,000	[1] 8,100	1,900	54.74
80 percent FHA Title II for 20 years at 4½ percent, with 20 percent VA for 25 years at 4 percent interest			
$3,000	$2,400	$600	$18.94
4,000	3,200	800	25.24
5,000	4,000	1,000	31.56
6,000	4,800	1,200	37.88
7,000	5,600	1,400	44.18
8,000	6,400	1,600	50.50
9,000	7,200	1,800	56.80
10,000	8,000	2,000	63.12
15,000	12,000	3,000	94.68
20,000	16,000	4,000	126.24

[1] FHA-insured Title VI loan cannot exceed $8,100 for single-family residence.

NOTE.—At the end of 20 years the FHA-insured loan will be paid off and the monthly payment for the remaining 5 years will be only $5.28 per $1,000 of the VA-guaranteed loan.

These sample monthly payments are, of course, the *combined* payments on both the loan for the down payment and the FHA-insured loan. These are average monthly payments over the life of the loan, including principal, interest, and average FHA mortgage insurance premium. They do not include taxes and hazard insurance, which vary locally, although such charges will be included when you get your loan and the amounts included will increase the monthly payment shown above correspondingly. Their inclusion in monthly payments, however, keeps your taxes always provided for in advance and prevents accumulation of large lump-sum tax bills.

SAFEGUARDS YOU ARE OFFERED

If the house you select to buy is not soundly built, or is not located in an economically sound neighborhood, or is not in line with necessary current costs values, the FHA will not insure the mortgage.

If you hire a contractor to build a home, the FHA will look over the plans and specifications, and the neighborhood, before work is started. The FHA will inspect the construction periodically as it goes along and will refuse to approve the final job if it does not measure up.

That is the essence of the FHA plan.

BUILDING A NEW HOME

If you want to build a new home, instead of buying one already built, the process of obtaining a loan is about the same.

However, you must find a suitable site, get a builder, and select a good design for your home. You may want additional assistance and advice on these matters from a home-financing institution, an architect, a real-estate firm, or a building-material dealer. It is important that the type, manner, and details of construction conform with sound building standards. If possible, you should take advantage of building plans which provide periodic inspection by qualified experts during the course of construction.

Remember that, although an appraiser checks the general condition of the house and neighborhood, he does not make the appraisal on the basis of how well the home will meet the individual needs of your family. This is a matter for you to decide—and a vitally important one.

You will want to consider the likes and dislikes of your family—make sure the house is planned for convenient, comfortable living, is located in the kind of neighborhood you would like to live in, and is convenient to transportation, schools, stores, and recreational facilities.

Take advantage of every safeguard to see that your home is well designed, well located, and well built.

If you plan to build a new home, it will be necessary to obtain a permit from your local FHA office, regardless of the type of financing

you choose—even if you pay all cash. Your contractor can get the permit for you. Any house built under the permit system that is up for sale must be first offered publicly to veterans for 60 days; if there are no takers, the house may then be offered to nonveterans, at the same terms unless a special "hardship waiver" has been granted. This permit system is part of the regulations established in the Veterans Emergency Housing Program and is administered by the FHA for the Housing Expediter.

OTHER EXPENSES YOU MUST MEET

Before you can get a loan to build or buy a home, you will need cash to meet certain expenses such as initial cost of appraisal, title search, and the first year's taxes under the Plan No. 2, which are usually collected in advance by the financial institution. It is not necessary to have cash for such expenses under Plan No. 1 since they may be added to the amount of the loan. The lending institution will give you the estimate of these charges.

Another expense that you should count on is the cost of maintenance. Do not forget that a home requires money for repairs and upkeep. You also have to pay for fuel, electricity, water, and other items.

Your mortgage payments, illustrated by the tables on pages 5 and 8, do not represent the entire monthly cost of owning and running your home. Test your ability to finance the home you want to buy by adding up your likely expenses on the check list on the page opposite.

A HANDY CHECKLIST

FOR USE IN BUYING OR BUILDING A HOME . . .

Property details	Unsatisfactory	Satisfactory
Foundations		
Walls		
Roof		
Floors		
Insulation		
Storm windows and screens		
Heating equipment		
Wiring and outlets		
Kitchen equipment		
Plumbing		
Landscaping and drainage		
Utilities: Water, gas, sewers, electrical, etc.		
The Neighborhood		
Nearby homes		
Zoning laws		
Schools and stores		
Transportation		
Fire and police protection		

Financing	
Price	
Estimated value	
Mortgage amount	
Interest rate	
Number of years	
Prepayment privilege	
Down payment	
Closing charges: Title search and clearance, various legal fees	
Size of monthly payment on mortgage	
Monthly payments on taxes and assessments	
Monthly payments on insurance	
Total monthly payment	
Upkeep and repairs	
Probable fuel cost	
Probable utility cost	
Total monthly cost	

Add these up to get your total monthly cost

Check all of these items. See if the home you are buying "adds up." See if you can meet the total costs.

A WORD TO THE WISE

MOST AMERICANS want to own their own homes—and in recent years your Government has taken many steps to make ownership easier and safer.

But buying or building a home deserves full consideration, because it usually involves payments over a long period of years. And there are special reasons why a veteran should seek the best possible advice at this time. . . .

There is a severe housing shortage in most parts of the country. This has forced prices up on existing houses—far too high in many crowded communities.

This does not mean there are not good "buys" in existing houses, or that you should not build a home under the Veterans Emergency Housing Program. It does mean that you should take extra precautions to see that you are not paying too much, that your home is well located,is of good design and sound construction, and suited to your family's present and future needs.

Make no mistake—this requires expert advice!

The amount of the loan, length it may run, size of monthly payments, closing charges, and other details are matters to be arranged between you and the financial institution, although the lender will be guided by the provisions of the GI bill.

Remember that no ethical lending institution should finance a home you do not seem to be able to pay for—and it would not be doing you a favor if it did. You would only be taking a risk of losing the home and much of your investment in the end.

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